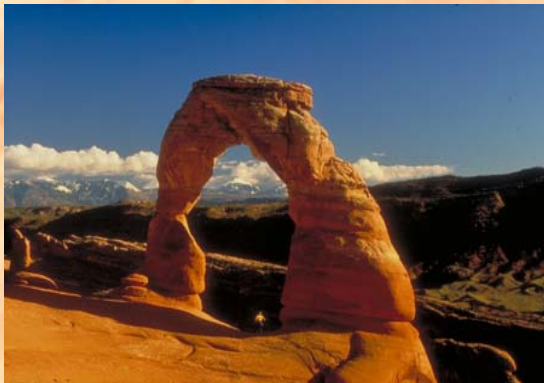


Utah!

High-Velocity Economic Development For Utah

Utah Tourism Industry Coalition



If you could invest $\frac{1}{2}$ of the interest from your savings account and get an \$8.64 return on each dollar invested, would you do it?

Would you make the same investment on behalf of your constituents?

What could the State accomplish with \$63.6 million annually in the General Fund (after a few years of investing)?

What could county governments do with an additional \$22.8 million annually?

Do constituents want to continually hear that there simply isn't enough money for education and roads?

OR

Do they want to hear that YOU'VE FOUND A SOLUTION for how to pay for these needed expenses WITHOUT RAISING TAXES?

The answer:

High-velocity economic development by investing in tourism!

A return of \$8.64 in state and local tax revenue for each \$1 invested in advertising, from future out-of-state visitors, is a very sound investment

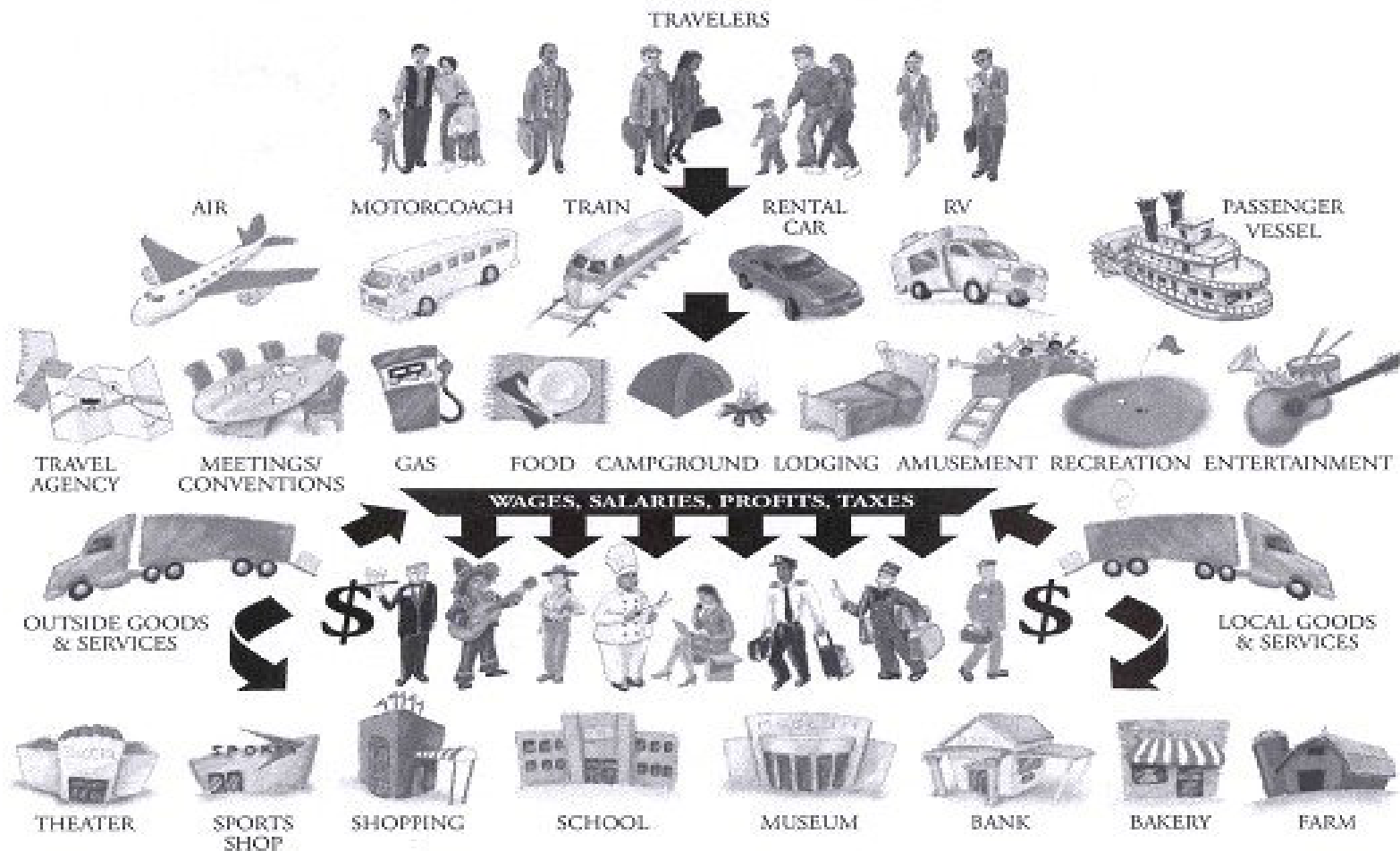
Let us explain...

The Tourism Industry has a major impact on Utah's economy

- **Over \$4 billion in traveler spending annually**
- **\$255 million in state tax revenues**
- **\$92 million in local tax revenues**
- **Nearly 100,000 jobs**
- **Relieves a tax burden of \$420 per family**

The Tourism Industry has a major impact on Utah's economy

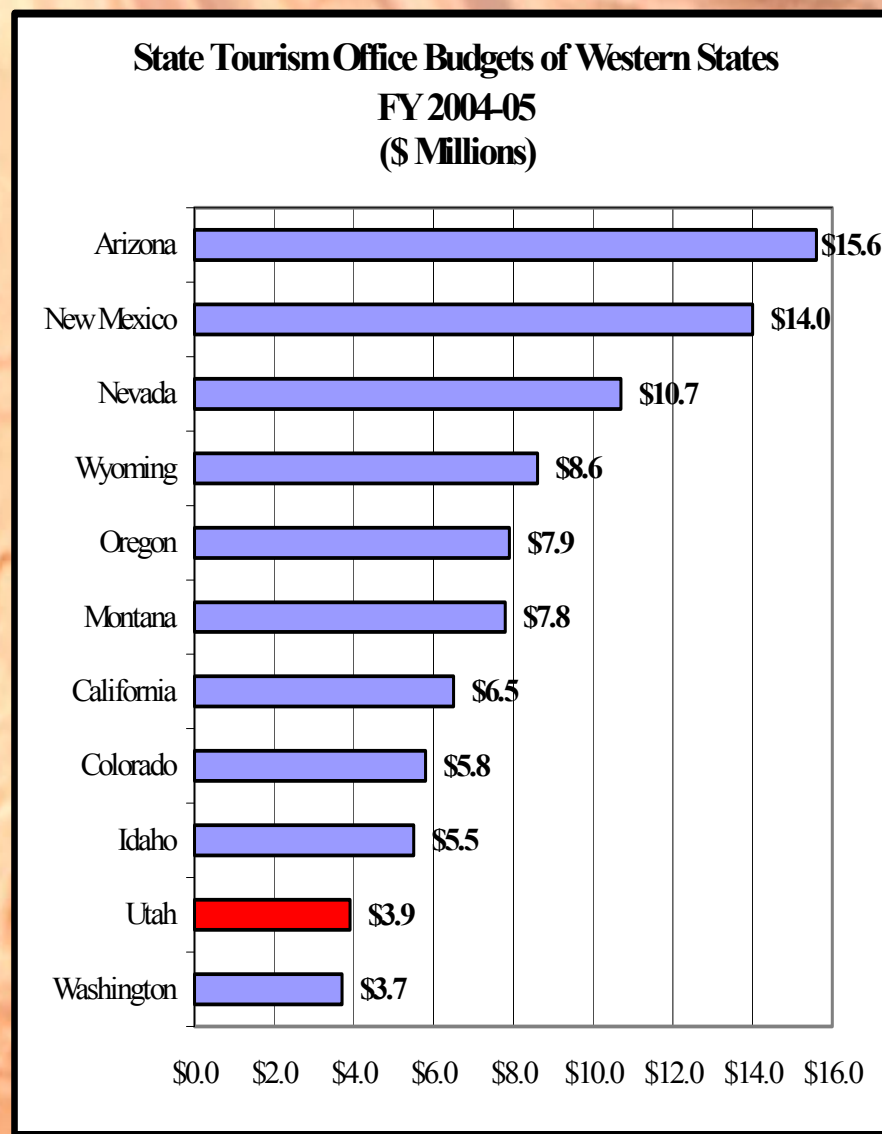
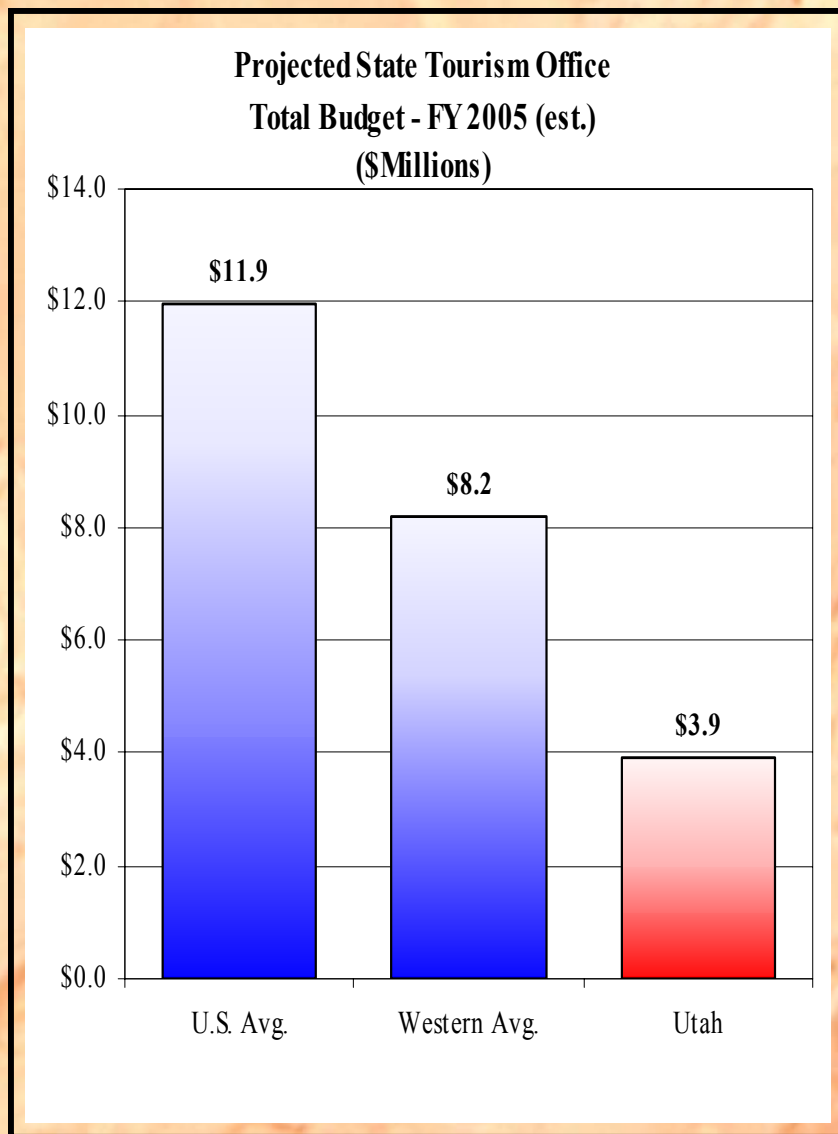
HOW TOURISM DOLLARS ARE SPENT...



The Utah Division of Travel Development (also known as the Utah Travel Council)

- **Exists to make Utah a better place to live by increasing the economic contribution of tourism**
- **The Division's operating budget pays for:**
 - **Advertising/branding campaigns which create perceptions for the state as a whole**
 - **Trade development and coordination of marketing programs for the Americas, Asia, and Europe**
 - **Pursuit of media exposure and hosting of media tours**
 - **Management of cooperative programs involving agencies in local, state, and federal government**
 - **The production and distribution of publications including the Utah! Travel Guide, calendar, other brochures and maps**
 - **Program of guidance and assistance for rural communities**
 - **Management and implementation of a strategic plan**
 - **The purchasing of market and economic research necessary to formulate the strategic plan and determine the impact of the UTC's efforts**
 - **The operation of six welcome centers found throughout the state**
 - **The operation of a call center that responds to inquiries of potential travelers**

State Tourism Office Budget Comparisons



FY 2005 budget less than half the Western Average and one-third of the U.S. Average

Advertising is essential, but very expensive

- Three full page ads in Ski Magazine costs \$149,168



- Four full-page ads in Conde Nast Traveler magazine costs \$333,753



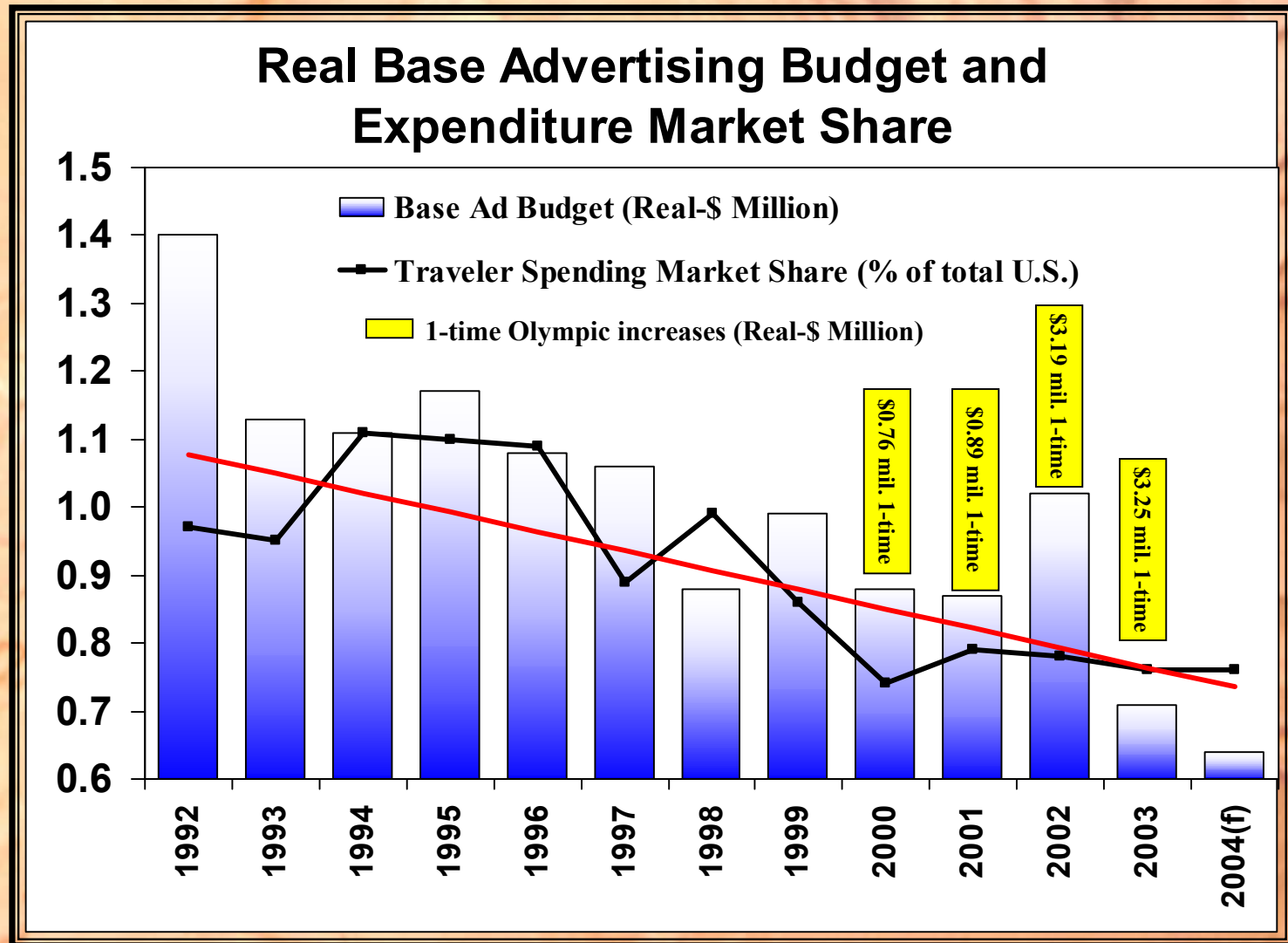
- A single 30-second spot ad on Network Television costs at least \$50,000



- The Division's \$900,000 ad budget simply doesn't buy a lot of advertising



Utah continues to lose traveler spending market share. Declining market share can in part be attributed to declining advertising budgets.



Utah's Tourism Industry needs all the help it can get

In addition to state funding:

- **The Las Vegas Convention and Visitors Authority has a \$190 million budget**
- **The Reno/Sparks Convention and Visitors Authority has a \$60 million budget**
 - **Salt Lake CVB budget in 2004 was \$9.8 million**
- **Vail Ski Resort spent over \$950,000 in 2003 on its summer campaign alone, not to mention it's winter campaign**
 - **That's more than the Utah Division of Travel Development's \$926,000 total ad budget for the entire year**
 - **Vail attracts more skiers each year than all of the Utah ski resorts combined**
 - **Doesn't take into account spending by Aspen, Telluride, Keystone, and other resorts**

Sources: Nevada State Tourism Office; Salt Lake Convention and Visitors Bureau; Vail Daily, March 12, 2004

The State should invest in tourism because the ROI is so large

After a few years of significant investment in tourism:

- The tourism industry will generate an additional \$63.6 million annually for the General Fund**
 - All citizens of the state would benefit**
 - Education, roads, and other needs would have more money**
 - Legislators could talk about how they created more money for the State instead of talking about the lack of funding**

Why Act Now?

- **ROI of \$8.64:\$1**
- **Reverse Market Share Losses**
- **Improve Stagnant State, County, and City Revenues**
 - ✓ **Sales Taxes (State, County, and City portions)**
 - ✓ **TRT, TRCC, and Car Rental Taxes**
 - ✓ **Gas Tax**
 - ✓ **Income Tax & Payroll Taxes**
- **Increase Industry Revenue**
 - ✓ **Sales**
 - ✓ **Occupancy**
 - ✓ **Revenue per customer**
- **Competitive Pressures Mounting**
 - ✓ **Utah has second-lowest budget among Western states (\$3.9 million)**
 - ✓ **Arizona has total tourism budget of \$15.6 million**
 - ✓ **New Mexico has total tourism budget of \$14.0 million**
 - ✓ **Idaho, Montana, Nevada, and Oregon already have dedicated funding**

HOW MUCH?

\$10 MILLION

- **For program of advertising, marketing, and branding as approved by the Board of Travel Development**
- **In addition to the ongoing general fund appropriation of the Utah Travel Council's (UTC) base operating budget**



WHERE TO GET THE MONEY?

**Tourism
Performance
Marketing Fund**

The Tourism Marketing Performance Fund (TMPF):

- **Not a tax increase**
- **Does not affect TRT or TRCC**
- **A small percentage in the GROWTH of sales tax revenue from tourism-related businesses is reinvested each year in tourism marketing**
- **Will return \$8.64 in state and local taxes for every \$1 spent on advertising**

How the Tourism Marketing Performance Fund (TMPF) works:

- **Separate from the Division's \$3.9 million operating budget is the Tourism Marketing Performance Fund which is dedicated to marketing and promotion**
- **The fund begins with an allocation of \$10 million from the General Fund**
 - **In each subsequent year, the allocation from the General Fund will be reduced by \$1 million**
- **Tax revenues from specific businesses that serve travelers will be identified* using codes from the North American Industry Classification System (NAICS):**
 - **481 Air Passenger Transportation**
 - **487 Scenic and Sightseeing Transportation**
 - **711 Performing Arts, Spectator Sports and Related Industries**
 - **713 Amusement and Recreation Industries**
 - **721 Accommodations**
 - **4853 Taxi and Limousine Services**
 - **4855 Charter Bus**
 - **5616 Travel Arrangement and Reservation Services**
 - **447110 Gasoline Stations with Convenience Stores**
 - **447190 Other Gasoline Stations**
 - **532111 Passenger Car Rental**
 - **532292 Recreational Goods Rental**
 - **722 Food Services and Drinking Places**
 - **45120 Convenience Stores**
 - **453 Souvenir, Gift, Antique Stores, etc.**

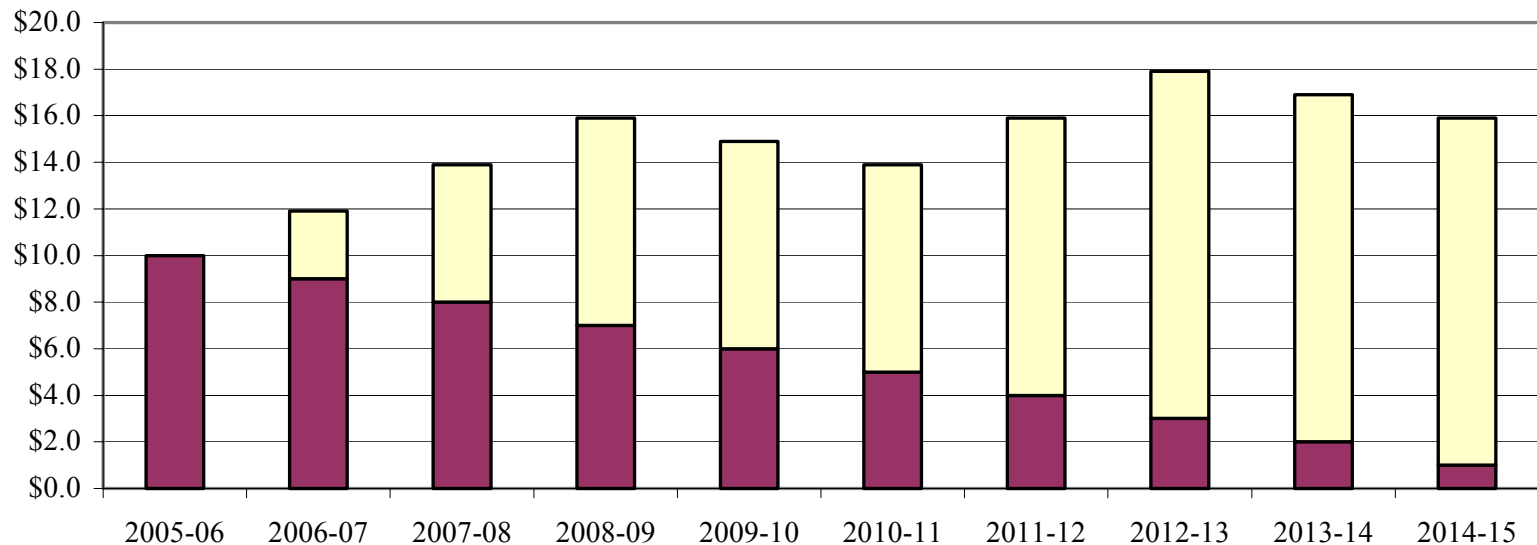
*** Exact NAICS codes in formula yet to be determined**

How the Tourism Marketing Performance Fund (TMPF) works:

- **Assume that sales tax revenues from each of those industries will grow by at least 3% each year**
- **Sales tax revenues from two and three years prior to the year of allocation are compared to each other**
- **The TMPF receives $\frac{1}{2}$ of the GROWTH in sales tax revenue above the 3% level each year (performance-based increase)**
- **Current year performance-based increase + prior year's performance based portion + reduced general fund allocation = total amount in the TMPF each year**
- **If the growth fails to exceed the 3% level, the agency receives the same total amount as the previous year**
- **The performance-based increase in the TMPF cannot grow by more than \$3 million in any single year**

How the Tourism Marketing Performance Fund (TMPF) works:

Tourism Marketing Performance Fund Projected Branding Budget



□ TPMF Performance-Based Increase + the prior year's Performance-Based Portion

■ TPMF General Fund Allocation (decreased by \$1 million annually)

HOW TO USE \$10 MILLION...

1. More statewide branding to emphasize activities and experiences

- Increased domestic AND international advertising
- Increased synergy with Department of Community and Economic Development programs, other business development, as well as key industry partners
- Increased international tourism effort
- Additional media and familiarization tours

The logo for the state of Utah, featuring the word "Utah!" in a stylized, blue, cursive font. The exclamation point is large and prominent. The logo is set against a white rectangular background.

HOW TO USE \$10 MILLION...

2. Additional reach and frequency in key markets and new markets

By investing \$900,00 in tourism:

- Ads would reach 21,092,997 adults
- Target market would see the ads between 3.1 and 5.2 times (frequency)
- Travel Development Board gives advice on how the money should be spent

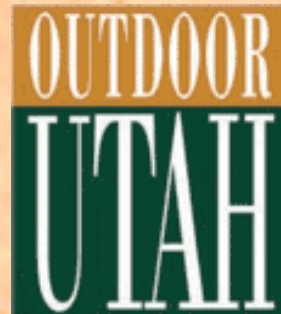
By investing \$10 million in tourism:

- Ads would reach 121,296,000 adults
- Target market would see the ads 5.8 times (frequency)
- Travel Development Board will determine how the money is spent

HOW TO USE \$10 MILLION...

3. 20% of Fund used for co-operative promotion...

- Leverage promotion efforts of cities, counties, and non-profit destination marketing organizations
 - Voluntary participation
 - Common markets and objectives
 - Unified messaging



DINOSAURLAND
TRAVEL REGION



Utah!

How to use \$10 million...

4. Reinforce the Utah! brand:

According to a post-Olympic study by an independent research firm, 7.1 million people were more likely to visit Utah as a result of having seen the Olympics

Source: *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Spring 2002, Wirthlin Worldwide

With a reminder about Utah having hosted the Olympics, potential visitors have described Utah as:

- **Beautiful**
- **Exciting**
- **People having fun at night**
- **Great Olympics**

Source: *Qualitative Study*, August 2003, Riester Robb

By investing in tourism, we can remind people of the wonderful experiences and activities they can find in Utah!

After giving your investment 18 to 24 months to take effect...the likely impact of a \$10 million *visitor investment* would be:

- **Additional 4.6 million visitors annually would spend additional \$1.08 billion each year for Utah businesses!**
- **Additional \$86.4 million of tax revenue annually!**
 - State Tax Revenues: \$63.6 million**
 - Local Tax Revenues: \$22.8 million**
- **Program returns \$8.64 in tax revenue for every \$1 invested!**

$$\text{ROI} = \$8.64:\$1$$

Source: *FY03 Utah Advertising Effectiveness Study*, NFO Plog Research, August 2003

- **Utah would also increase its market share**

WHO BENEFITS (after the investment has had 18-24 months to take effect)?

➤ Utah Citizens

- **Reduced annual tax burden of an additional \$105 per housing unit (in addition to the \$420 in reduced taxes per housing unit that tourism is already providing)**
- **Statewide distribution of an additional 13,333 jobs would be created (in addition to nearly 100,000 jobs already existing due to tourism)**
- **\$8.64:\$1 ROI of the citizens' tax dollars**

➤ State Government

- **Additional \$63.6 million in tax revenues annually for transportation, education, and other General Fund needs**
- **High velocity economic development**
- **Enhanced reputation for high quality of life could also lead to new businesses re-locating here**

WHO BENEFITS (after the investment has had 18-24 months to take effect)?

➤ Local Government

- **Additional \$22.8 million in annual tax revenues for local needs**
- **Revenue generation without significantly expanded services**
- **Diversified economic base**
- **Enhanced community pride**

➤ Utah Tourism Industry

- **Increased traveler spending by \$1.08 billion annually (compared to current traveler spending amounts)**
- **Increased ROI**
- **Branding message complements destination marketing**
- **Improve workforce quality**
- **Reduce seasonal fluctuations**

Key Points to Remember

- **With an ROI of \$8.64:\$1, tourism is a fantastic investment!**
- **Focus on the objective – invest in tourism because it's high-velocity economic development**
- **Supporting this legislation won't require a tax increase, but it will ultimately generate an additional \$63.6 million annually for the General Fund**
 - **This money can help pay for education, roads, and other necessary programs**

The ROI from investing in tourism to Utah is \$8.64:\$1

- **According to a conservative advertising effectiveness study by NFO Plog Research, an independent research firm:**
 - **Utah receives \$8.64 in state and local taxes for every \$1 spent on advertising by the Utah Division of Travel Development**
- **Professors at the Institute for Outdoor Recreation and Tourism at Utah State University reviewed the NFO Plog advertising effectiveness study**
 - **They found the methodology to be “reasonable and consistent with standard practice”**
 - **They found the study results to be “valid”**
- **The study was also reviewed by economists at GOPB, the Legislative Fiscal Analyst, economists for DCED, and staff at the Legislative Office of Research & General Counsel**
 - **None of these experts questioned the validity of the results**